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Comptroller of the Currency  
Administrator of National Banks

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Central District Office  
One Financial Place, Suite 2700  
440 South LaSalle Street  
Chicago, Illinois 60605

**CRA Decision #132**  
**February 2006**

November 9, 2005

Mr. Paul V. Reagan  
Executive Vice President, General Counsel and Secretary  
Harris National Association  
111 West Monroe Street  
Chicago, Illinois 60603

Re: Application Whereby Villa Park Trust & Savings Bank, Villa Park, Illinois will merge into Harris National Association, Chicago, Illinois  
OCC Application Number: 2005-CE-02-0029

Dear Mr. Reagan:

This is to inform you that on November 9, 2005 the Office of the Comptroller of the Currency (OCC) approved the above proposal to merge Villa Park Trust & Savings Bank, Villa Park, Illinois with Harris National Association, Chicago, Illinois, under the charter and title of the latter. A copy of the OCC's decision document is enclosed.

This approval is granted based on a thorough review of all information available, including commitments and representations made in the application and the merger agreement and those of your representatives.

The OCC reviewed the proposed transaction under the criteria of the Bank Merger Act, 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have any anticompetitive effects. The OCC considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider "...the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities, including in overseas branches," 12 U.S.C. § 1828(c)(11). We considered these factors and found them consistent with approval under the statutory provisions.

The Community Reinvestment Act (“CRA”) requires the OCC to take into account the applicants’ record of helping to meet the credit needs of the community, including low- and moderate-income (“LMI”) neighborhoods, when evaluating certain applications, including merger transactions that are subject to the Bank Merger Act. 12 U.S.C. § 2903; 12 C.F.R. § 25.29. The OCC considers the CRA performance evaluation of each institution involved in the transaction. A review of the record of these applicants and other information available to the OCC as a result of its regulatory responsibilities revealed no evidence that the applicants’ record of helping to meet the credit needs of their communities, including LMI neighborhoods, is less than satisfactory.

Harris National Association’s (“Harris N.A.”) latest CRA Performance Evaluation (“PE”), dated April 29, 2002, and issued by the Federal Reserve Bank of Chicago, assigned an “Outstanding” rating.<sup>1</sup> The PE noted Harris N.A.’s excellent level of community development lending and its responsiveness to community development needs through a very high level of qualified investments and grants. The PE also indicated the bank was a leader in providing community development services. No evidence of discriminatory practices was disclosed.

Villa Park Trust and Savings Bank’s (“Villa Park Bank”) latest CRA PE dated September 17, 2001, and issued by the Federal Reserve Bank of Chicago, assigned a “Satisfactory” rating. The PE disclosed that Villa Park Bank’s lending efforts were reasonable, including its loan-to-deposit ratio and overall lending within the assessment area. No fair lending deficiencies were identified.

While the OCC did not receive any public comments on this application, the Federal Reserve Bank of Chicago received comments from one community organization. Specifically, based on 2004 Home Mortgage Disclosure Act (“HMDA”) data, the commenter expressed concerns that Harris N.A. denied loans to minorities more frequently than to whites and made higher rate loans to minorities more frequently than to whites.<sup>2</sup> With respect to denial disparity rates, Harris N.A. responded that its denial rates for 2003 were better than the aggregate of all lenders in the relevant assessment areas. In addition, Harris N.A. increased its single-family

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<sup>1</sup> At the time the PE was issued, the bank’s name was Harris Trust and Savings Bank. The OCC also notes that during 2005, Harris N.A. merged with 26 other affiliated banks owned by Harris Bankcorp, Inc. All of those affiliates had a “Satisfactory” CRA rating.

<sup>2</sup> The commenter also raised a concern that Harris N.A. was enabling “fringe finance” companies due to the fact that the bank had made a loan to a company that engages in the rental of personal property, including rent-to-own arrangements. Harris N.A. indicated that it was not affiliated with the borrower and had performed due diligence of the borrower. Harris N.A. also pointed out that the borrower operates in approximately 30 states and is subject to the applicable state laws for this type of business.

mortgages substantially in minority census tracts within the Chicago Metropolitan Statistical Area in 2004. With respect to the “high cost” loans, Harris N.A. noted that only 1.85% of its HMDA reportable loans fit into this category. An analysis performed by Harris N.A. concluded that the higher rates were justified and that the greatest percentage (59%) was to white applicants. We are carefully analyzing the 2004 HMDA data for national banks and their subsidiaries, including Harris N.A., and incorporating the results of our analysis into our supervisory strategy for upcoming fair lending examinations.<sup>3</sup>

In sum, the OCC determined that the applicants’ records of performance were consistent with approval under CRA.

As a reminder, the Central District Office must be advised in writing in advance of the desired effective date for the merger, so it may issue the necessary certification letter. The effective date must follow the applicable Department of Justice’s injunction period and any other required regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- A Secretary’s Certificate for each institution, certifying that a majority of the board of directors approved.
- An executed merger agreement with Articles of Association for the resulting bank attached.
- A Secretary’s Certificate from each institution, certifying that the shareholder approvals have been obtained, if required.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory,

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<sup>3</sup> It is important to note that HMDA data alone are not adequate to provide a basis for concluding that a bank is engaged in lending discrimination or in indicating whether its level of lending is sufficient. HMDA data do not take into consideration borrower creditworthiness, housing prices, and other factors relevant in each of the individual markets, nor do they fully reflect the range of a bank’s lending activities or efforts. Nevertheless, denial and pricing disparities are of concern to the OCC and are evaluated in fair lending examinations.

Mr. Paul V. Reagan  
November 9, 2005  
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regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have questions, please contact the undersigned or Senior Licensing Analyst Carolina M. Ledesma at (312) 360-8881.

Sincerely,

*signed*

David J. Rogers  
National Bank Examiner  
Director for District Licensing

Enclosure: Survey Letter